

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

***BASIC FINANCIAL STATEMENTS  
(AUDITED)***

***FOR THE FISCAL YEAR ENDED  
JUNE 30, 2013***

**JOSH HILL, TREASURER**





# Dave Yost • Auditor of State

Board of Education  
Sheffield-Sheffield Lake City School District  
1824 Harris Road  
Sheffield, Ohio 44054

We have reviewed the *Independent Auditor's Report* of the Sheffield-Sheffield Lake City School District, Lorain County, prepared by Julian & Grube, Inc., for the audit period July 1, 2012 through June 30, 2013. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Sheffield-Sheffield Lake City School District is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

March 11, 2014

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**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

**BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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**Julian & Grube, Inc.**  
*Serving Ohio Local Governments*

333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

Sheffield-Sheffield Lake City School District  
Lorain County  
1824 Harris Road  
Sheffield, Ohio 44054

To the Board of Education:

***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sheffield-Sheffield Lake City School District, Lorain County, Ohio, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Sheffield-Sheffield Lake City School District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Sheffield-Sheffield Lake City School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Sheffield-Sheffield Lake City School District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Sheffield-Sheffield Lake City School District, Lorain County, Ohio, as of June 30, 2013, and the respective changes in financial position thereof and the budgetary comparison for the General fund thereof for the fiscal year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

***Supplementary and Other Information***

Our audit was conducted to opine on the Sheffield-Sheffield Lake City School District's basic financial statements taken as a whole.

The Schedule of Receipts and Expenditures of Federal Awards (the "Schedule") presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this Schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the Schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this Schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2013, on our consideration of the Sheffield-Sheffield Lake City School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Sheffield-Sheffield Lake City School District's internal control over financial reporting and compliance.



Julian & Grube, Inc.  
December 23, 2013

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

UNAUDITED

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The discussion and analysis of Sheffield-Sheffield Lake City School District's (the District) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the financial statements and notes to those respective statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key Financial Highlights for 2013 are as follows:

- In total, the District's net position decreased by \$ 1,408,002.
- Revenues for governmental activities totaled \$ 21,826,968 in 2013. Of this total, 87.6 percent consisted of General revenues while Program revenues accounted for the balance of 12.4 percent.
- Program expenses totaled \$23,234,970. Instructional expenses made up 51.7 percent of this total while support services accounted for 36.7 percent. Other expenses rounded out the remaining 11.6 percent.

**Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Sheffield-Sheffield Lake City District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. The fund financial statements also look at the District's most significant funds with all other non-major funds presented in total in one column. In the case of Sheffield-Sheffield Lake City School District, the General Fund, the Debt Service Fund and the Building and Renovations Fund are by far the most significant.

**Reporting the District as a Whole**

*Statement of Net Position and the Statement of Activities*

While this document contains all the funds used by the District to provide programs and activities, the view of the District as a whole considers all financial transactions and asks the question, "How did we do financially during 2013?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.



**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

UNAUDITED

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These two statements report the District's net position and changes in that position. This change in net position is important because it tells the reader that, for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors. On the other hand, financial factors may include the District's financial position, liquidity and solvency, fiscal capacity and risk and exposure.

In the Statement of Net Position and the Statement of Activities, the District is classified as governmental activities. All of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of food service and extracurricular activities.

**Reporting the District's Most Significant Funds**

*Fund Financial Statements*

The analysis of the District's major funds begins on page 15. Fund financial statements provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the General Fund, the Debt Service Fund and the Building and Renovations Fund.

*Governmental Funds*

All of the District's activities are reported as governmental funds, which focus on how money flows into and out from those funds and the balances left at year-end that are available for spending in future periods. These funds are reported using an accounting method called *modified accrual accounting*, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps the reader determine the amount of financial resources available to be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2013

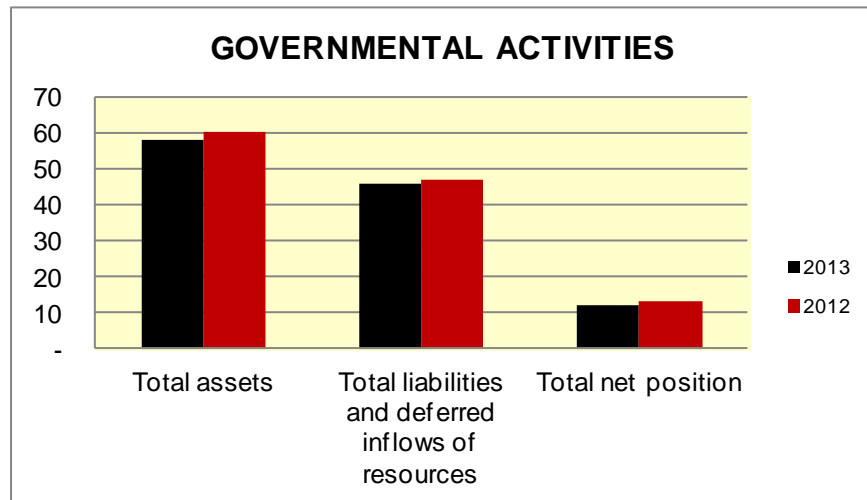
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**The District as a Whole**

The Statement of Net Position provides the perspective of the District as a whole. Table 1 provides a summary of the District's net assets for 2013 compared to 2012.

**Table 1  
Net Position  
Governmental Activities**

	2013	Restated 2012	Change
<b>Assets</b>			
Current assets	\$ 51,347,800	\$ 54,334,943	\$ (2,987,143)
Capital assets, net	6,439,093	5,188,986	1,250,107
<b>Total assets</b>	<u>57,786,893</u>	<u>59,523,929</u>	<u>(1,737,036)</u>
<b>Liabilities</b>			
Other liabilities	3,078,523	2,729,744	348,779
Long-term liabilities	<u>32,448,565</u>	<u>33,063,907</u>	<u>(615,342)</u>
<b>Total liabilities</b>	<u>35,527,088</u>	<u>35,793,651</u>	<u>(266,563)</u>
<b>Deferred inflows of resources</b>	<u>10,634,321</u>	<u>10,696,792</u>	<u>(62,471)</u>
<b>Net position</b>			
Net investment in capital assets	3,415,032	3,512,095	(97,063)
Restricted	1,805,514	30,608,095	(28,802,581)
Unrestricted	<u>6,404,938</u>	<u>(21,086,704)</u>	<u>27,491,642</u>
<b>Total net position</b>	<u>\$ 11,625,484</u>	<u>\$ 13,033,486</u>	<u>\$ (1,408,002)</u>



**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

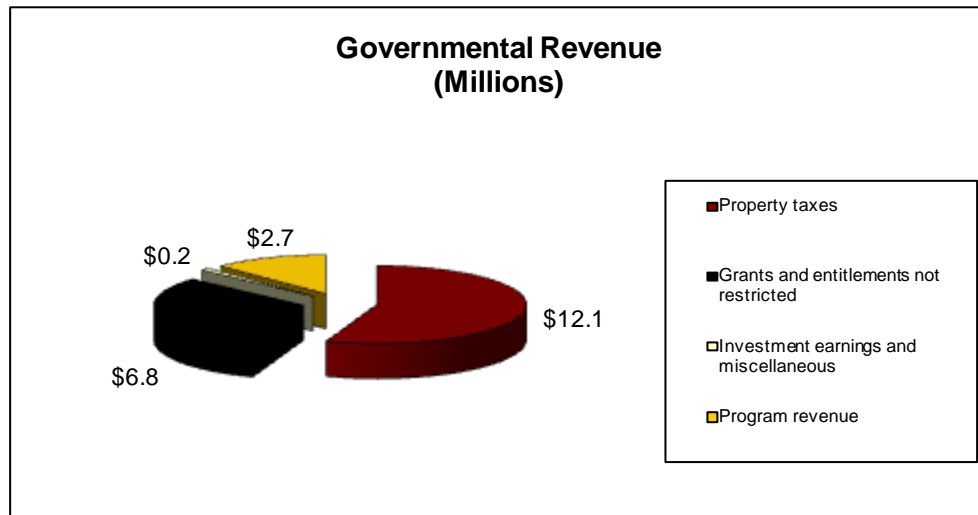
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Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the District's net position was \$ 11,625,484.

At year-end, capital assets represented 11.1% of total assets. Capital assets include land, construction in progress, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2013 was \$ 3,415,032. These capital assets are used to provide services to the students and are not available for future spending.

A portion of the District's net position, \$ 1,805,514, represents resources that are subject to external restrictions on how they are spent. The remaining balance of \$ 6,404,938 is considered unrestricted, this is usually used to meet the District's ongoing obligations to the students and creditors.

The vast majority of revenue supporting all Governmental Activities is General revenue. General revenue totaled \$ 19,120,478 or 87.6 percent of the total revenue. The most significant portion of the General revenue is local property tax. The remaining amount of revenue received was in the form of program revenues, which equated to \$ 2,706,490 or 12.4 percent of total revenue.



**Clearly, the Sheffield-Sheffield Lake community is by far the greatest source of financial support for the students of the Sheffield-Sheffield Lake City District.**

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

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Table 2 shows the changes in net position for fiscal year 2013. A comparative analysis of government-wide for fiscal year 2012 data is also presented.

**Table 2  
Governmental Activities**

	2013	%	2012	%
		of Total		of Total
General revenues				
Property taxes levied for:				
General purpose	\$10,233,317	46.88%	\$10,150,463	46.64%
Debt service	1,527,563	7.00%	1,101,595	5.06%
Capital improvements	283,258	1.30%	293,371	1.35%
Grants and entitlements not restricted to specific purpose:	6,836,514	31.32%	6,987,936	32.10%
Investment earnings	43,731	0.20%	34,007	0.16%
Miscellaneous	196,095	0.90%	156,724	0.72%
Total general revenues	<u>19,120,478</u>	<u>87.60%</u>	<u>18,724,096</u>	<u>86.03%</u>
Program revenues	<u>2,706,490</u>	<u>12.40%</u>	<u>3,040,777</u>	<u>13.97%</u>
Total revenue	<u>21,826,968</u>	<u>100.00%</u>	<u>21,764,873</u>	<u>100.00%</u>
Governmental activities				
Instruction				
Regular	8,988,020	38.68%	9,394,091	41.87%
Special	2,830,743	12.18%	2,928,592	13.05%
Vocational	147,908	0.64%	140,618	0.63%
Other instruction	40,669	0.18%	16,182	0.07%
Supporting services				
Pupil	1,240,359	5.34%	1,316,907	5.87%
Instructional staff	838,463	3.61%	957,774	4.27%
Board of education	43,514	0.19%	51,128	0.23%
Administration	1,609,154	6.93%	1,463,210	6.52%
Fiscal services	654,630	2.82%	643,632	2.87%
Business	262,381	1.13%	238,865	1.06%
Operation and maintenance	2,486,806	10.70%	1,567,294	6.98%
Pupil transportation	1,083,483	4.66%	1,113,478	4.96%
Central services	305,477	1.31%	225,865	1.01%
Operation of non-instructional services				
Food service operation	662,672	2.85%	710,784	3.17%
Community services	-	0.00%	747	0.00%
Extracurricular activities	648,934	2.79%	560,457	2.50%
Interest	1,391,757	5.99%	1,108,835	4.94%
Totals	<u>23,234,970</u>	<u>100.00%</u>	<u>22,438,459</u>	<u>100.00%</u>
Change in net position	<u>\$ (1,408,002)</u>		<u>\$ (673,586)</u>	

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

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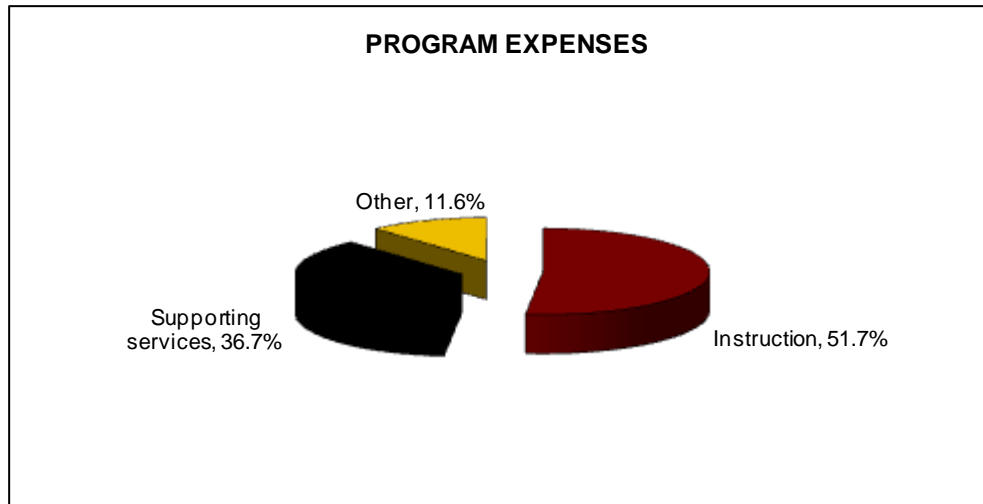
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**Governmental Activities**

The unusual nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. As a result of legislation enacted in 1976, the overall revenue generated by a voted tax levy does not increase as a result of inflation. As an example, a homeowner with a home value at \$100,000 (assessed value of \$35,000) and taxed at 1.0 mill would pay \$35.00 annually in taxes. If, three years later, the home value were to be reappraised and increased to \$200,000 (assessed value of \$70,000) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

The primary source of revenue for governmental activities is derived from property taxes. Property taxes made up 55.2 percent of revenues for governmental activities for the Sheffield-Sheffield Lake City District in fiscal year 2013.

The largest Governmental Activities program expense remains instruction, comprising 51.7 percent of total expenses. When combined with support services, these categories encompass 88.4 percent. The remaining program expenses of 11.6 percent are budgeted to facilitate other obligations of the District, such as food service programs, community services activities, numerous extracurricular activities and interest payments.



**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2013

UNAUDITED

The Statement of Activities shows the total net cost of program services. Table 3 shows the total cost of services for governmental activities and the net cost of those services. It identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

**Table 3  
Governmental Activities**

	Total Cost Of Services	Net Cost Of Services
Governmental activities		
Instruction		
Regular	\$ 8,988,020	\$ (7,718,503)
Special	2,830,743	(2,331,329)
Vocational	147,908	(147,908)
Other instruction	40,669	(40,669)
Supporting services		
Pupil	1,240,359	(1,035,912)
Instructional staff	838,463	(830,212)
Board of education	43,514	(43,514)
Administration	1,609,154	(1,579,154)
Fiscal services	654,630	(654,630)
Business	262,381	(262,381)
Operation and maintenance	2,486,806	(2,486,806)
Pupil transportation	1,083,483	(1,083,483)
Central services	305,477	(294,677)
Operation of non-instructional services		
Food service operation	662,672	(101,439)
Community services	-	-
Extracurricular activities	648,934	(526,106)
Interest	1,391,757	(1,391,757)
Totals	\$ 23,234,970	\$(20,528,480)

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Over 55.2 percent of expenses are directly supported by local property taxes. Grants and entitlements not restricted to specific programs support 31.3 percent, while investment and other miscellaneous type revenues support the remaining activity costs. Program revenues fund 12.4 percent of all governmental expenses.

**District Funds**

Information regarding the District's funds can be found on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$ 22,809,767 and expenditures and other financing uses of \$ 26,127,930. The net change in fund balance for the year was a decrease of \$ 3,318,163, which was the result of a decrease of \$ 2,599,170 in the General Fund, an increase of \$ 177,517 in the Debt Service Fund, an increase of \$ 1,094,280 in the Other Governmental Funds and a decrease of \$ 1,990,790 in the Building and Renovations Fund.

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2013

UNAUDITED

**General Fund Budgeting Highlights**

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2013, the District amended its General Fund budget several times to allow for additional advances to federal and state grant funds and other less significant amendments. Fluctuations among the budget base expenditures categories are due to the District's site-based style of budgeting that is designed to tightly control expenses but provide flexibility for managers to redirect funds as conditions develop during the year. For the General Fund, final budget estimated revenue was \$ 18,296,834, an increase of \$ 6,353 from the original budget. The actual revenue received was \$ 18,268,101. The final budget estimated expenditures were \$ 21,626,266 which equaled the original budgeted expenditures. The actual expenditures on the budget basis (cash outlays plus encumbrances) were \$ 21,650,671.

**Capital Assets and Debt Administration**

At the end of fiscal 2013 the District had \$ 6.4 million invested in land, construction in progress, buildings and improvements, furniture and equipment, and vehicles. Table 4 shows fiscal 2013 values compared to 2012.

**Table 4  
Capital Assets at June 30  
Governmental Activities  
(Net of Depreciation)**

	2013	2012
Land	\$ 540,878	\$ 540,878
Construction in progress	2,537,835	941,604
Buildings and improvements	2,571,426	2,694,719
Furniture and equipment	473,566	637,483
Vehicles	315,388	374,302
	\$ 6,439,093	\$ 5,188,986

All capital assets, except land and construction in progress, are reported net of depreciation. For more information about the District's capital assets, see Notes to the Basic Financial Statements.

**Debt**

At June 30, 2013, the District had \$ 31,131,297 in outstanding bonds. The District has an Aa bond rating.

	2013	2012
Various purpose bond (2010) 3.74%, 12/1/2014	\$ 195,000	\$ 290,000
School improvement, capital appreciation bonds and accretion of interest (2011) 2.0% - 5.0%, 2018, 2019, and 2041 maturities	30,936,297	31,033,635
	\$ 31,131,297	\$ 31,323,635

For more information about the District's debt, see Notes to the Basic Financial Statements.

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2013**

UNAUDITED

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**District Outlook**

The Board of Education and the Administration closely monitor the District's revenues and expenditures in accordance with its financial forecast and the District's Strategic Plan.

The District relies heavily upon real estate taxes and state funding as sources of revenue. The District's financial future took a turn for the better with the passage of a 5.99 mill five-year Emergency Operating Levy in November 2005. This and an older Emergency Levy were both renewed in May of 2009. These levies will again be up for renewal May of 2014 and it is a necessity that they continue to be renewed. Cost cutting measures are being looked at. The need for new money is going to be a necessity in the near future as well.

The community showed its continuing support in May 2011 by passing a \$31,000,000 Bond Issue to construct a new 7 – 12 building. We broke ground for the new facility in 2012 and plan to move in during 2014. This is the first phase of a two to three phase program to upgrade all district facilities on one campus at 1824 Harris Road.

State funding continues to be a challenge not only for Sheffield-Sheffield Lake City School District but statewide. Significant changes are not expected any time soon. Until the State provides an adequate/equitable system of funding education, the District will continue to depend on the residents of the District to bear the cost of educating our children.

The financial statements represent our continued efforts to keep the District informed of the use of their tax dollars and the cost of the District to maintain the excellence in education provided our students and expected of our community.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizens, taxpayers and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Joshua Hill, Treasurer, Sheffield-Sheffield Lake City School District, 1824 Harris Road, Sheffield, Ohio 44054, or e-mail [jhill@sheffield.k12.oh.us](mailto:jhill@sheffield.k12.oh.us).



SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

STATEMENT OF NET POSITION

JUNE 30, 2013

	Governmental Activities
<b>Assets</b>	
Equity in pooled cash	\$ 37,959,007
Accounts receivable	57,054
Due from other governments	115,543
Inventories and supplies	55,383
Taxes receivable	13,160,813
Capital assets	
Nondepreciable capital assets	3,078,713
Depreciable capital assets, net	3,360,380
<b>Total assets</b>	<b>57,786,893</b>
<b>Liabilities</b>	
Accounts and contracts payable	599,400
Retainage payable	32,190
Accrued salaries, wages and benefits	1,537,805
Due to other governments	436,592
Accrued interest payable	111,098
Unamortized bond premium	361,438
Long-term liabilities	
Due within one year	662,050
Due in more than one year	31,786,515
<b>Total liabilities</b>	<b>35,527,088</b>
<b>Deferred inflows of resources</b>	
Property taxes	10,634,321
<b>Net position</b>	
Net investment in capital assets	3,415,032
Restricted for:	
Debt service	487,214
Capital projects	1,168,787
State grants	23,603
Federal grants	100,266
Other purposes	25,644
Unrestricted	6,404,938
<b>Total net position</b>	<b>\$ 11,625,484</b>

See accompanying notes to the basic financial statements.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services and Sales	Operating Grants Interest and Contributions	
Governmental activities				
Instruction				
Regular	\$ 8,988,020	\$ 1,192,846	\$ 76,671	\$ (7,718,503)
Special	2,830,743	207,946	291,468	(2,331,329)
Vocational	147,908	-	-	(147,908)
Other instruction	40,669	-	-	(40,669)
Supporting services				
Pupil	1,240,359	-	204,447	(1,035,912)
Instructional staff	838,463	-	8,251	(830,212)
Board of education	43,514	-	-	(43,514)
Administration	1,609,154	-	30,000	(1,579,154)
Fiscal services	654,630	-	-	(654,630)
Business	262,381	-	-	(262,381)
Operation and maintenance	2,486,806	-	-	(2,486,806)
Pupil transportation	1,083,483	-	-	(1,083,483)
Central services	305,477	-	10,800	(294,677)
Operation of non-instructional services				
Food service operation	662,672	182,314	378,919	(101,439)
Extracurricular activities	648,934	122,828	-	(526,106)
Interest	1,391,757	-	-	(1,391,757)
Totals	<u>\$ 23,234,970</u>	<u>\$ 1,705,934</u>	<u>\$ 1,000,556</u>	<u>(20,528,480)</u>

General revenues

Property taxes levied for:

General purpose	10,233,317
Debt service	1,527,563
Capital improvements	283,258
Grants and entitlements not restricted to specific purposes	6,836,514
Investment earnings	43,731
Miscellaneous	196,095
Total general revenues	<u>19,120,478</u>

Change in net position	(1,408,002)
Net position at beginning of year, restated	<u>13,033,486</u>
Net position at end of year	<u>\$ 11,625,484</u>

See accompanying notes to the basic financial statements.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2013

	General Fund	Debt Service Fund	Building and Renovations Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets and deferred outflow s of resources</b>					
<b>Assets</b>					
Equity in pooled cash	\$ 7,782,482	\$ 159,155	\$ 28,600,588	\$ 1,416,782	\$ 37,959,007
Receivables, net of allowance					
Taxes, current	10,171,089	1,547,305	-	277,294	11,995,688
Taxes, delinquent	987,910	150,301	-	26,914	1,165,125
Accounts and other	57,054	-	-	-	57,054
Due from other governments	73,808	-	-	41,735	115,543
Interfund receivable	168,000	-	-	-	168,000
Inventories and supplies	34,948	-	-	20,435	55,383
<b>Total assets</b>	<b>\$ 19,275,291</b>	<b>\$ 1,856,761</b>	<b>\$ 28,600,588</b>	<b>\$ 1,783,160</b>	<b>\$ 51,515,800</b>
<b>Liabilities, deferred inflow s of resources and fund balances</b>					
<b>Liabilities</b>					
Accounts and contracts payable	\$ 125,339	\$ -	\$ 462,097	\$ 11,964	\$ 599,400
Retainage payable	-	-	32,190	-	32,190
Accrued salaries, wages and benefits	1,437,872	-	-	99,933	1,537,805
Due to other governments	410,041	-	-	26,551	436,592
Interfund payable	-	-	-	168,000	168,000
Compensated absences payable	167,906	-	-	-	167,906
<b>Total liabilities</b>	<b>2,141,158</b>	<b>-</b>	<b>494,287</b>	<b>306,448</b>	<b>2,941,893</b>
<b>Deferred inflow s of resources</b>					
Property taxes	9,019,400	1,369,547	-	245,374	10,634,321
Unavailable - delinquent tax	987,910	150,301	-	26,914	1,165,125
Unavailable - other	-	-	-	41,735	41,735
<b>Total deferred inflow s of resources</b>	<b>10,007,310</b>	<b>1,519,848</b>	<b>-</b>	<b>314,023</b>	<b>11,841,181</b>
<b>Fund balances</b>					
Nonspendable	34,948	-	-	20,435	55,383
Restricted	-	336,913	28,106,301	267,195	28,710,409
Committed	37,506	-	-	1,000,000	1,037,506
Assigned	2,375,129	-	-	-	2,375,129
Unassigned (deficit)	4,679,240	-	-	(124,941)	4,554,299
<b>Total fund balances</b>	<b>7,126,823</b>	<b>336,913</b>	<b>28,106,301</b>	<b>1,162,689</b>	<b>36,732,726</b>
<b>Total liabilities, deferred inflow s of resources and fund balances</b>	<b>\$ 19,275,291</b>	<b>\$ 1,856,761</b>	<b>\$ 28,600,588</b>	<b>\$ 1,783,160</b>	<b>\$ 51,515,800</b>

See accompanying notes to the basic financial statements.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES

JUNE 30, 2013

Total governmental fund balances	\$ 36,732,726
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds.	6,439,093
Other long term assets are not available to pay for current period expenditures and therefore are unearned in the funds. These deferrals are attributed to property taxes and due from other governments.	1,206,860
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences	(1,074,573)
Bond payable	(31,131,297)
Unamortized bond premium	(361,438)
Capital lease payable	(74,789)
Interest payable	<u>(111,098)</u>
Net position of governmental activities	<u>\$ 11,625,484</u>

See accompanying notes to the basic financial statements.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Debt Service Fund	Building and Renovations Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 10,083,750	\$ 1,497,348	\$ -	\$ 280,617	\$ 11,861,715
Tuition and fees	1,400,792	-	-	-	1,400,792
Interest	8,854	-	21,969	-	30,823
Intergovernmental	6,640,480	176,742	-	1,097,978	7,915,200
Charges for services	-	-	-	180,958	180,958
Extracurricular	8,822	-	-	109,880	118,702
Other	184,726	-	2,400	14,451	201,577
Total revenues	<u>18,327,424</u>	<u>1,674,090</u>	<u>24,369</u>	<u>1,683,884</u>	<u>21,709,767</u>
Expenditures					
Current					
Instruction					
Regular	9,150,605	-	-	62,124	9,212,729
Special	2,561,662	-	-	262,023	2,823,685
Vocational	147,660	-	-	-	147,660
Other instruction	40,669	-	-	-	40,669
Supporting services					
Pupil	1,031,253	-	-	221,303	1,252,556
Instructional staff	766,209	-	-	92,031	858,240
Board of education	42,348	-	-	-	42,348
Administration	1,607,275	-	-	25,850	1,633,125
Fiscal services	621,612	25,911	-	5,562	653,085
Business	243,201	-	-	22,956	266,157
Operation and maintenance	1,636,795	-	-	-	1,636,795
Pupil transportation	1,035,082	-	-	-	1,035,082
Central services	305,029	-	-	-	305,029
Operation of non-instructional services					
Food service operation	-	-	-	647,035	647,035
Extracurricular activities	488,523	-	-	156,412	644,935
Capital outlay	-	-	2,015,159	194,308	2,209,467
Debt service					
Principal	129,928	145,000	-	-	274,928
Interest	18,743	1,325,662	-	-	1,344,405
Total expenditures	<u>19,826,594</u>	<u>1,496,573</u>	<u>2,015,159</u>	<u>1,689,604</u>	<u>25,027,930</u>
Excess (deficiency) of revenues over expenditures	<u>(1,499,170)</u>	<u>177,517</u>	<u>(1,990,790)</u>	<u>(5,720)</u>	<u>(3,318,163)</u>
Other financing sources (uses)					
Transfers-in	-	-	-	1,100,000	1,100,000
Transfers-out	<u>(1,100,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,100,000)</u>
Total other financing sources (uses)	<u>(1,100,000)</u>	<u>-</u>	<u>-</u>	<u>1,100,000</u>	<u>-</u>
Net change in fund balances	(2,599,170)	177,517	(1,990,790)	1,094,280	(3,318,163)
Fund balances, beginning of year	<u>9,725,993</u>	<u>159,396</u>	<u>30,097,091</u>	<u>68,409</u>	<u>40,050,889</u>
Fund balances, end of year	<u>\$ 7,126,823</u>	<u>\$ 336,913</u>	<u>\$ 28,106,301</u>	<u>\$ 1,162,689</u>	<u>\$ 36,732,726</u>

See accompanying notes to the basic financial statements.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO  
THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2013

Net change in fund balances - total governmental funds \$ (3,318,163)

Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital outlay, net	\$	1,474,665	
Depreciation expense		<u>(224,558)</u>	
			1,250,107

Revenues in the statement of activities (ie. property taxes) that do not provide current financial resources are not reported as revenue in the funds.

Property taxes	\$	182,423	
Interest income		12,908	
Intergovernmental		<u>(78,130)</u>	
			117,201

Repayment of bond principal and capital lease is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the governmental activities. 274,928

Accrued interest expense in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds. In the statement of activities bond accretion is amortized over the term of the bonds, whereas in governmental funds, the expenditure is reported when the bonds are issued.

Accrued interest	\$	310	
Annual accretion		<u>(47,662)</u>	
			(47,352)

Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated absences	\$	<u>315,277</u>	
			<u>315,277</u>

Change in net position of governmental activities \$ (1,408,002)

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET BASIS (NON-GAAP) AND ACTUAL – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues and other financing sources	\$ 18,290,481	\$ 18,296,834	\$ 18,268,102	\$ (28,732)
Expenditures and other financing uses	21,626,266	21,626,266	21,650,671	(24,405)
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(3,335,785)	(3,329,432)	(3,382,569)	(53,137)
Fund balance, beginning of year	9,729,576	9,729,576	9,729,576	-
Prior year encumbrances	626,266	626,266	626,266	-
Fund balance, end of year	<u>\$ 7,020,057</u>	<u>\$ 7,026,410</u>	<u>\$ 6,973,273</u>	<u>\$ (53,137)</u>

See accompanying notes to the basic financial statements.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

STATEMENT OF FIDUCIARY FUNDS -  
ASSETS AND LIABILITIES - AGENCY FUND

JUNE 30, 2013

	<u>Agency Fund</u>
Assets	
Equity in pooled cash	<u>\$ 89,043</u>
Total assets	<u><u>89,043</u></u>
Liabilities	
Accounts and contracts payable	2,777
Due to students	79,469
Due to others	<u>6,797</u>
Total liabilities	<u><u>\$ 89,043</u></u>

See accompanying notes to the basic financial statements.



SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. DESCRIPTION OF THE DISTRICT AND REPORTING ENTITY

The Sheffield-Sheffield Lake City School District (the District) was established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a city school district as defined by Section 3311.03 of the Ohio Revised Code. The District operates under an elected Board of Education consisting of five members and is responsible for providing public education to residents of the District. Average daily membership on, or as of, October 1, 2012 was 1,841. The District employs 190 certificated and 129 non-certificated employees.

The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organizations' governing board and, 1) the District is able to significantly influence the programs or services performed or provided by the organization; or 2) the District is legally entitled to or can otherwise access the organizations' resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt, or the levying of taxes. The District has no component units.

The District is associated with the North Coast Council Ohio (NCCO), the Lake Erie Regional Council of Governments (LERC), the Lorain County Joint Vocational School District and the Ohio Schools Council. These organizations and their relationships with the District are described in more detail in Note 19 to these financial statements.

B. BASIS OF PRESENTATION

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following are the more significant of the District's accounting policies.

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION (continued)

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient for the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements

During the year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

C. FUND ACCOUNTING

The District uses funds to maintain its financial records during the fiscal year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions or activities. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are grouped into the categories governmental, proprietary, and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets, deferred outflows of resources, liabilities and deferred inflows of resources is reported as fund balance. The following are the District's major governmental funds:

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. FUND ACCOUNTING (continued)

Governmental Funds (continued)

General Fund - the General Fund is the operating fund of the District and is used to account for all financial resources, except those required to be accounted for in another fund.

Debt Service Fund - the Debt Service Fund receives property taxes for the payment of general obligation bonds.

Building and Renovations Fund - the Building and Renovation Fund receives bond proceeds to be used for the construction of a new building for grades seven to twelve.

The other governmental funds of the District account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

Proprietary funds focus on the determination of the changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District has no enterprise or internal service funds.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no Trust Funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency funds account for student activities.

D. MEASUREMENT FOCUS

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, all liabilities and deferred inflows of resources associated with the operation of the District are included on the Statement of Net Position. The Statement of Activities presents increases (revenues) and decreases (expenses) in the total net position.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BASIS OF ACCOUNTING

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred inflows of resources and in the presentation of expenses versus expenditures.

Revenues - Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, grants, investment earnings, tuition, and student fees.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. As of June 30, 2013, the District did not have these types of transactions.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the District, deferred inflows of resources include property taxes and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations. The amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. These amounts are deferred and recognized as inflows of resources in the period the amounts become available.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. BASIS OF ACCOUNTING (continued)

Expenditures/Expenses

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the fund financial statements as an expenditure with a like amount reported as intergovernmental revenue. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

F. BUDGETARY PROCESS

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and set annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level for all funds.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amount reported as the original budgeted amount in the budgetary statement reflects the amount in the certificate when the original appropriations were adopted. The amount reported as the final budgeted amount in the budgetary statement reflects the amount in the final amended certificate that was in effect at the time the final appropriations were passed by the Board of Education.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated resources. The amount reported as the original budgeted amount reflect the first appropriation for that fund that covered the entire fiscal year, including encumbrances automatically carried over from prior years. The amount reported as the final budgeted amount represent the final appropriation amount passed by the Board during the year, including encumbrances automatically carried over from prior years.

G. CASH AND INVESTMENTS

Cash received by the District is deposited in one central bank account with individual fund balance integrity maintained through District records. Monies for all funds are maintained in this account or temporarily transferred to the State Treasurer's investment pool (STAR Ohio). Under existing Ohio statutes, interest earnings are allocated to funds based on average monthly cash balances. Interest income earned in the General Fund for the year ended June 30, 2013 was \$ 8,854 of which \$ 778 was assigned from other funds.

The District has invested in the State Treasury Asset Reserve of Ohio (STAR Ohio) during the year. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on June 30, 2013.

Investments with an original maturity of three months or less at the time of purchase are considered to be cash equivalents.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. INVENTORY

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Donated commodities are presented at their entitlement value.

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental funds when used.

I. RESTRICTED ASSETS

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of another government or imposed by enabling legislation.

J. CAPITAL ASSETS

General capital assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported on the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market values as of the date received. The District increased its a capitalization threshold to five thousand dollars during fiscal year 2013. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets, other than land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	50 years
Furniture and equipment	5 - 20 years
Vehicles	8 years

K. INTERFUND BALANCES

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivable/payable". These amounts are eliminated in the governmental activities column of the statement of net position.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

L. COMPENSATED ABSENCES

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit. The liability includes employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's termination policy.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported.

M. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Long-term notes, loans, and capital leases are recognized as a liability on the governmental fund financial statements when due.

N. UNAMORTIZED BOND PREMIUM

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method which approximates the effective interest method. Bond premiums are presented as a separate line item on the statement of net position.

On the governmental fund financial statements, bond premiums are recognized in the current period.

O. NET POSITION

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation and debt related to those capital assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments.

The government-wide statement of net position reports \$ 1,805,514 of restricted net position, of which none is restricted by enabling legislation.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. FUND BALANCE

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable

The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

Restricted

Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions.

Committed

The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the School District Board of Education. Those committed amounts cannot be used for any other purpose unless the School District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the District Board of Education.

Unassigned

Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.



SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Q. INTERFUND TRANSACTIONS

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements. These amounts are eliminated in the governmental activities column of the statement of net position.

R. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported on the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENT

A. ACCOUNTING PRINCIPLES

For fiscal year 2013, the District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60 “Accounting and Financial Reporting for Service Concession Arrangements”, Statement No. 61 “The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and No. 34”, Statement No. 62 “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements”, Statement No. 63 “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”, Statement No. 64 “Derivative Instruments: Application of Hedge Accounting Termination Provisions” and Statement No. 65 “Items Previously Reported as Assets and Liabilities”.

GASB Statement No. 60, “Accounting and Financial Reporting for Service Concession Arrangements”. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011 and have been implemented by the District. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

GASB Statement No. 61, “The Financial Reporting Entity: Omnibus – an amendment of GASB Statement No. 14 and No. 34”. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the related financial reporting requirements of Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

GASB Statement No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements”. The objective of this Statement is to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the FASB and AICPA pronouncements which does not conflict with or contradict GASB pronouncements. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011 and have been implemented by the District. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENT (continued)

A. ACCOUNTING PRINCIPLES (continued)

GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011 and have been implemented by the District. The District's financial statements have been updated to reflect the implementation of this standard.

GASB Statement No. 64, "Derivative Instruments: Application of Hedge Accounting Termination Provisions". The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2011 and have been implemented by the District. The implementation of GASB Statement No. 64 did not have an effect on the financial statements of the District.

GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities". This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The District's financial statements have been updated to reflect the implementation of this standard.

B. PRIOR PERIOD ADJUSTMENT

In prior periods, the District had reported assets related to unamortized debt issuance costs in the Governmental Activities entity-wide financial statements. GASB Statement Number 65, Items Previously Reported as Assets and Liabilities, has reclassified debt issuance costs as an expense in the period incurred rather than amortizing the costs over the life of the debt.

A reconciliation of the prior period ending net position to the current year beginning net position for the Governmental Activities is as follows:

	Governmental Activities
Net position at June 30, 2012	\$ 13,278,565
Unamortized debt issuance costs	(245,079)
Restated net position at June 30, 2012	\$ 13,033,486

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

**NOTE 3 - BUDGETARY BASIS OF ACCOUNTING**

While the District is reporting financial position, results of operations, and changes in fund balances on the basis of accounting principles generally accepted in the United States of America (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget Basis (Non-GAAP) and Actual presented for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis statements are the following:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as a reservation of fund balance (GAAP basis).
4. Some funds are included in the General Fund (GAAP basis), but have a separate legally adopted budget (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the General Fund.

Net Change in Fund Balance	
	General Fund
Budget basis	\$ (3,382,569)
Adjustments, increase (decrease)	
Revenue accruals	59,323
Expenditure accruals	66,601
Encumbrances	544,532
Funds budgeted separately	112,943
GAAP basis, as reported	\$ (2,599,170)

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

**NOTE 4 – FUND BALANCE**

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balance	General Fund	Debt Service Fund	Building and Renovations Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable					
Inventory	\$ 34,948	\$ -	\$ -	\$ 20,435	\$ 55,383
Restricted					
Capital improvements	-	-	28,106,301	141,873	28,248,174
Debt service	-	336,913	-	-	336,913
Other grants	-	-	-	7,236	7,236
Athletics	-	-	-	18,408	18,408
Entry year program	-	-	-	397	397
Onenet	-	-	-	10,800	10,800
High school that works	-	-	-	2,104	2,104
Poverty assistance	-	-	-	690	690
Miscellaneous state grants	-	-	-	9,612	9,612
Race to the top	-	-	-	14	14
Title I	-	-	-	68,061	68,061
Miscellaneous federal grants	-	-	-	8,000	8,000
	<u>-</u>	<u>336,913</u>	<u>28,106,301</u>	<u>267,195</u>	<u>28,710,409</u>
Committed					
Termination benefits	37,506	-	-	-	37,506
Capital projects	-	-	-	1,000,000	1,000,000
	<u>37,506</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>	<u>1,037,506</u>
Assigned					
Subsequent year appropriations	1,786,705	-	-	-	1,786,705
Encumbrances	487,333	-	-	-	487,333
Other purposes	101,091	-	-	-	101,091
	<u>2,375,129</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,375,129</u>
Unassigned (deficit)	<u>4,679,240</u>	<u>-</u>	<u>-</u>	<u>(124,941)</u>	<u>4,554,299</u>
Total fund balance	<u>\$ 7,126,823</u>	<u>\$ 336,913</u>	<u>\$ 28,106,301</u>	<u>\$ 1,162,689</u>	<u>\$ 36,732,726</u>

**NOTE 5 – COMPLIANCE AND ACCOUNTABILITY**

**DEFICIT BALANCES**

At June 30, 2013, the following funds had deficit fund balances: the Preschool Fund of \$ 1,595, the IDEA Part B Fund of \$ 84,771, the Title VI R Fund of \$ 6,953, and the Food Service Fund of \$ 11,186. The General Fund is liable for deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 6 - DEPOSITS AND INVESTMENTS

A. LEGAL REQUIREMENTS

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit, or by savings or deposit accounts, including passbook accounts.

Interim monies may be invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Commercial paper and bankers' acceptances (if authorized by the Board of Education), and;
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

A. LEGAL REQUIREMENTS(continued)

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution, or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

B. DEPOSITS

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a deposit policy for custodial credit risk. At fiscal year end, the carrying amount of the District's deposits was (\$ 3,426). This amount is not shown as a liability due to the District's balance with Star Ohio and the accessibility of these funds. The bank balance was \$ 48,911 of which \$ 48,911 was covered by federal depository insurance.

C. INVESTMENTS

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2013, the District had the following investments:

	<u>Maturity</u>	<u>Fair Value</u>
Investment in State Treasurer's Investment Pool	n/a	<u>\$ 38,051,476</u>

D. INTEREST RATE RISK

The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The District's investment policy limits investment portfolio maturities to five year or less.

E. CREDIT RISK

The District follows the Ohio Revised Code that limits its investment choices. As of June 30, 2013, the District's investments in Star Ohio were rated AAAM by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized rating agency. The District's investment policy does not specifically address credit risk beyond requiring the District to only invest in securities authorized by State Statute.

F. CONCENTRATION OF CREDIT RISK

The District places no limit on the amount that may be invested in any one issuer.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 7 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis, while the District's fiscal year runs from July through June. First-half tax distributions are received by the District in the second half of the fiscal year. Second-half tax distributions are received in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real and public utility property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes for 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder due June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility real and tangible personal property taxes for 2013 were levied after April 1, 2012, on the assessed values as of December 31, 2011, the lien date. Public utility real property is assessed at 35 percent of true value; tangible personal property is currently assessed at varying percentages of true value. Public utility property taxes are payable on the same dates as real property taxes described previously.

Tangible personal property tax revenue received during calendar 2013 (other than public utility property tax) represents the collection of 2013 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in calendar year 2013 were levied after October 1, 2012, on the value as of December 31, 2012. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30; however this year the settlement was late.

The District receives property taxes from Lorain County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2014 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility property, and tangible personal property taxes which were measurable as of June 30, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, amounts to be received during the available period are not subject to reasonable estimation at June 30, nor were they levied to finance fiscal year 2013 operations. The receivable is therefore offset by a credit to deferred inflows of resources for that portion not intended to finance current year operations. The amount available as an advance was recognized as revenue.

The amount available as an advance at June 30, 2013, was \$ 1,151,689 in the General Fund, \$ 177,758 in the Debt Service Fund and \$ 31,920 in the Capital Projects Fund. The amount available as an advance at June 30, 2012, was \$ 1,079,029 in the General Fund, \$ 155,967 in the Debt Service Fund and \$ 31,590 in the Capital Projects Fund.

On the full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on the modified accrual basis this revenue has been deferred.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 7 - PROPERTY TAXES (continued)

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second - Half Collections			2013 First - Half Collections	
	Amount	%		Amount	%
Agricultural/Residential	\$ 223,017,690	67.85	%	\$ 205,966,210	66.85 %
Commercial/Industrial	99,945,640	30.40		95,788,780	31.09
Public Utilities	5,768,460	1.75		6,350,360	2.06
Total Assessed Value	\$ 328,731,790	100.00	%	\$ 308,105,350	100.00 %
Tax rate per \$1,000 of assessed valuation	\$ 62.04			\$ 63.58	

NOTE 8 - RECEIVABLES

Receivables at June 30, 2013, consisted of property taxes and amounts due from other governments. All receivables are considered substantially collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All receivables are expected to be collected within one year.

A summary of the principal items due from other governments follows:

	Amount
Governmental Funds:	
General Fund	\$ 73,808
Nonmajor Funds	
Title I	35,123
ECSE	1,596
Title II D Technology	5,016
Total due from other governments	\$ 115,543



SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 9 – INTERFUND ADVANCES

Interfund receivables and payables at June 30, 2013 are as follows:

Major Fund:	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 168,000	\$ -
Non-major funds:		
Title II D Technology	-	2,000
Title VI B	-	60,000
Title I	-	70,000
Athletics	-	5,000
ECSE Preschool	-	5,000
Making MS work	-	1,000
Food Service	-	25,000
Total non-major funds	<u>-</u>	<u>168,000</u>
Total	<u>\$ 168,000</u>	<u>\$ 168,000</u>

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2013</u>
<b>Governmental Activities</b>				
Nondepreciable capital assets				
Land	\$ 540,878	\$ -	\$ -	\$ 540,878
Construction in progress	941,604	1,596,231	-	2,537,835
Total nondepreciable capital assets	<u>1,482,482</u>	<u>1,596,231</u>	<u>-</u>	<u>3,078,713</u>
Depreciable capital assets				
Buildings and improvements	6,593,369	39,799	122,199	6,510,969
Furniture and equipment	1,900,575	29,396	995,858	934,113
Vehicles	1,500,689	-	4,256	1,496,433
Total capital assets being depreciated	<u>9,994,633</u>	<u>69,195</u>	<u>1,122,313</u>	<u>8,941,515</u>
Less accumulated depreciation				
Buildings and improvements	3,898,650	110,316	69,423	3,939,543
Furniture and equipment	1,263,092	56,727	859,272	460,547
Vehicles	1,126,387	57,515	2,857	1,181,045
Total accumulated depreciation	<u>6,288,129</u>	<u>224,558</u>	<u>931,552</u>	<u>5,581,135</u>
Depreciable capital assets, net of accumulated depreciation	<u>3,706,504</u>	<u>(155,363)</u>	<u>190,761</u>	<u>3,360,380</u>
Governmental activities capital assets, net	<u>\$ 5,188,986</u>	<u>\$ 1,440,868</u>	<u>\$ 190,761</u>	<u>\$ 6,439,093</u>

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 10 - CAPITAL ASSETS (continued)

Depreciation expense was charged to governmental functions as follows:

Instruction		
Regular	\$	22,026
Special		7,324
Supporting services		
Pupil		469
Instructional staff		6,403
Board of education		1,166
Administration		2,875
Fiscal services		1,620
Operation and maintenance		117,807
Pupil transportation		51,891
Operation of non-instructional services		
Food service operation		9,912
Extracurricular activities		3,065
Total depreciation expense	\$	<u>224,558</u>

NOTE 11 - RISK MANAGEMENT

A. PROPERTY AND LIABILITY

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During fiscal year 2013, the District contracted with the Ohio Casualty Company for property and casualty insurance. Professional liability is covered by the Ohio School Council with a \$ 1,000,000 per occurrence and a \$ 3,000,000 aggregate limit. Settled claims have not exceeded this commercial coverage in any of the past several years. There was no significant reduction in coverage from the prior year.

Travelers Casualty & Surety Company of America maintains performance bonds of \$ 20,000 for the superintendent and the board president. A surety bond in the amount of \$ 100,000 also covers the Treasurer. The remaining employees who handle money are covered with a public employee's dishonesty insurance bond in the amount of \$ 50,000.

B. WORKERS' COMPENSATION

The District pays the State Workers' Compensation System a premium based on a rate per \$ 100 of salaries. This rate is calculated based on accident history and administrative costs.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 12 - DEFINED BENEFIT PENSION PLANS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute 14% of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Retirement Board acting with the advice of the actuary, allocates the employer contribution rate among four of the funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund) of the System. For fiscal year ending June 30, 2012, the allocation to pension and death benefits is 13.10%. The remaining 0.90% of the 14% employer contribution rate is allocated to the Health Care and Medicare B Funds. The District's contributions to SERS for the fiscal years ended June 30, 2013, 2012, and 2011 were \$ 390,312, \$ 384,806 and \$ 373,005, respectively; 80 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio Web site at [www.strsoh.org](http://www.strsoh.org).

Plan options - New members have a choice of three retirement plans options. In addition to the Defined Benefit (DB) Plan, new members are offered a Defined Contribution (DC) Plan and a Combined Plan. The DB plan allows members to allocate all their member contributions and employer contributions equal to 10.5% of earned compensation among various investment choices. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are allocated to investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. Contributions into the DC Plan and the Combined Plan are credited to member accounts as employers submit their payroll information to STRS Ohio, generally on a biweekly basis. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM (STRS) (continued)

DB Plan Benefits – Plan benefits are established under Chapter 3307 of the Revised Code. Any member may retire who has (i) five years of service and attained age 60; (ii) 25 years of service credit and attained age 55; or (iii) 30 years of service credit regardless of age. The annual retirement allowance, payable for life, is the greater of the “formula benefit” or the “money-purchase benefit” calculation. Under the “formula benefit,” the retirement allowance is based on years of credited service and final average salary, which is the average of the member’s three highest salary years. The annual allowance is calculated by using a base percentage of 2.2% multiplied by the total number of years of service credit (including Ohio-valued purchased credit) times the final average salary. The 31<sup>st</sup> year of earned Ohio service credit is calculated at 2.5%. An additional one-tenth of a percent is added to the calculation for every year of earned Ohio service over 31 years (2.6% for 32 years, 2.7% for 33 years and so on) until 100% of final average salary is reached. For members with 35 or more years of Ohio contributing service, the first 30 years will be calculated at 2.5% instead of 2.2%. Under the “money-purchase benefit” calculation, a member’s lifetime contributions plus interest as specified rates are matched by an equal amount from other STRS Ohio funds. This total is then divided by an actuarially determined annuity factor to determine the maximum annual retirement allowance.

DC Plan Benefits – Benefits are established under Sections 3307.80 to 3307.89 of the Revised Code. For members who select the DC Plan, all member contributions and employer contributions at a rate of 10.5% are placed in an investment account. The member determines how to allocate the member and employer money among various investment choices. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump-sum withdrawal. Employer contributions into members’ accounts are vested after the first anniversary of the first day of paid service. Members in the DC Plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Combined Plan Benefits – Members contributions are allocated by the members, and employer contributions are used to fund a defined benefit payment. A member’s defined benefit is determined by multiplying 1% of the member’s final average salary by the member’s years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60. The defined contribution portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50.

A retiree of STRS Ohio is eligible for reemployment as a teacher following the elapse of two months from the date of retirement. Contributions are made by the reemployed member and employer during the reemployment. Upon termination of reemployment or age 65, whichever comes later, the retiree is eligible for an annuity benefit or equivalent lump-sum payment in addition to the original retirement allowance. A reemployed retiree may alternatively receive a refund of only member contributions with interest before age 65, once employment is terminated.

Benefits are increased annually by 3% of the original base amount for DB plan participants.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. A death benefit of \$1,000 is payable to the beneficiary of each deceased retired member who participated in the DB Plan. Death benefit coverage up to \$2,000 can be purchased by participants in the DB, DC or Combined Plans. Various other benefits are available to members’ beneficiaries.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 12 - DEFINED BENEFIT PENSION PLANS (continued)

B. STATE TEACHERS RETIREMENT SYSTEM (STRS) (continued)

Chapter 3307 of the Revised Code provides statutory authority for member and employer contributions. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10% of member and 14% for employers. Contribution requirements and contributions actually made for the fiscal year ended June 30, 2013, were 10% of covered payroll for members and 14% for employers: 13% was the portion used to fund pension obligations. The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011, were \$ 1,165,445, \$ 1,171,955, and \$ 1,129,424, respectively; 83 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

C. SOCIAL SECURITY SYSTEM

Effective July 1, 1991, all employees not otherwise covered by the School Employees Retirement System or the State Teachers Retirement System of Ohio have an option to choose Social Security or the School Employees Retirement System. As of June 30, 2013, one member of the Board of Education has elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 13 - POSTEMPLOYMENT BENEFITS

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS)

Postemployment Benefits

In addition to a cost-sharing multiple-employer defined benefit pension plan the School Employees Retirement System of Ohio (SERS) administers two postemployment benefit plans.

Medicare Part B Plan

The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefits recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2013 was \$ 104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50.

The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation is 0.74%. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$ 20,631, \$ 20,615, and \$ 20,249, respectively. 80 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

Health Care Plan

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMOs, PPOs, Medicare Advantage and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 13 - POSTEMPLOYMENT BENEFITS (continued)

A. SCHOOL EMPLOYEES RETIREMENT SYSTEM (SERS) (continued)

The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 105(e). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14% contribution to the Health Care Fund. For the year ended June 30, 2013, the health care allocation is 0.16%. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provides that no employer shall pay a health care surcharge greater than 2% of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5% of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the minimum compensation level was established at \$20,525. The surcharge, added to the unallocated portion of the 14% employer contribution rate is the total amount assigned to the Health Care Fund. The District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$ 4,461, \$ 15,117, and \$ 38,100, respectively. 80 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

B. STATE TEACHERS RETIREMENT SYSTEM (STRS)

Plan Description – The District contributes to the cost sharing multiple employer defined benefit Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011, were \$ 89,650, \$ 90,150, and \$ 86,879, respectively; 83 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

**NOTE 14 – BONDS PAYABLE**

The original issue date, interest rate, original issuance and date of maturity for each of the District's bonds payable follow:

	Original Issue	Interest Rate	Original Issue Amount	Date of Maturity
General obligation bonds				
Various purpose bonds	2010	3.74%	480,000	12/1/2014
School improvement				
Serial	2011	2.0 - 5.0%	12,480,000	12/1/2031
Term	2011	5.00%	9,635,000	12/1/2037
Term	2011	4.50%	8,690,000	12/1/2041
Capital appreciation bonds	2011	19.86%	82,963	12/1/2018
Capital appreciation bonds	2011	19.86%	111,957	12/1/2019

The original amount of bonds issued during fiscal year 2012 was \$ 30,999,919 for new construction and improvements of the District's facilities. The general obligation bonds included serial, term and capital appreciation bonds. The present value (as of issue date) reported in the Statement of Net Position at June 30, 2013 was \$ 30,936,297. The accreted interest of \$ 81,378 has been included in the Statement of Net Position at June 30, 2013. This year the addition to these bonds was \$ 47,662 which represents the increase in the accretion of interest. The final amount of these bonds will be \$ 855,000 payable through December 2019. The amount of unspent proceeds from these bonds was \$ 28,462,085 at June 30, 2013.

**NOTE 15 - LONG-TERM OBLIGATIONS**

Changes in the District's long-term obligations during fiscal year 2013 were as follows:

	Balance June 30, 2012	Additions	Retired	Balance June 30, 2013	Amounts Due In One Year
Various purpose bonds	\$ 290,000	\$ -	\$ 95,000	\$ 195,000	\$ 95,000
School improvement bonds	30,805,000	-	145,000	30,660,000	340,000
School improvement CABs	194,919	-	-	194,919	-
	<u>31,289,919</u>	<u>-</u>	<u>240,000</u>	<u>31,049,919</u>	<u>435,000</u>
Accretion on CABs	33,716	47,662	-	81,378	-
Capital leases	109,717	-	34,928	74,789	36,544
Compensated absences	1,630,555	40,535	428,611	1,242,479	190,506
	<u>\$ 33,063,907</u>	<u>\$ 88,197</u>	<u>\$ 703,539</u>	<u>\$ 32,448,565</u>	<u>\$ 662,050</u>

The Various purpose bonds Series 2010 were for the purpose of rehabilitating, renovating, reconstructing and improving the District's buildings and facilities and for the purchase of buses. The debt will be repaid from the General Fund. The school improvement bonds will be repaid from the Debt Service Fund. The capital lease will be repaid from the General Fund. The compensated absences will be repaid from the funds from which employee's salaries are paid.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
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NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 15 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire bonds outstanding at June 30, 2013 were as follows:

Year ending June 30,	Principal	Interest	Total
2014	\$ 435,000	\$ 1,326,329	\$ 1,761,329
2015	460,000	1,316,582	1,776,582
2016	375,000	1,309,200	1,684,200
2017	430,000	1,302,087	1,732,087
2018	450,000	1,293,287	1,743,287
2019-2023	2,109,920	7,010,313	9,120,233
2024-2028	3,985,000	5,756,558	9,741,558
2029-2033	5,810,000	4,730,099	10,540,099
2034-2038	8,305,000	3,054,125	11,359,125
2039-2042	8,689,999	803,925	9,493,924
	<u>\$ 31,049,919</u>	<u>\$ 27,902,505</u>	<u>\$ 58,952,424</u>

NOTE 16 – CAPITAL LEASE

The District has entered into a lease agreement as lessee for financing district wide equipment. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date.

The asset acquired through capital lease is as follows:

Asset	Cost	Depreciation	Net
VOIP phone/telecom system	<u>\$ 188,785</u>	<u>\$ 69,563</u>	<u>\$ 119,222</u>

The future minimum lease obligation and the net present value of the minimum lease payments as of June 30, 2013 were as follows:

	Year ending June 30,	Amount
	2014	\$ 39,188
	2015	<u>39,188</u>
Total minimum lease payments		78,376
Less amount representing interest		<u>3,587</u>
Net present value of minimum lease payments		<u>\$ 74,789</u>



SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

**NOTE 17 – OPERATING LEASES**

The District is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations. During 2013, expenditures for operating leases totaled \$ 77,574. The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2013.

Year ending June 30,	Amount
2014	\$ 75,336
2015	50,224
Total minimum lease payments	<u>\$ 125,560</u>

**NOTE 18 – SET-ASIDES**

The District is required by State statute to annually set aside, in the General Fund, an amount based on a statutory formula for the acquisition and construction of capital improvements.

The following cash basis information identifies the changes in the fund balance reserves for textbooks and capital improvements during fiscal year 2013.

	Capital Improvements
Set aside reserve balance June 30, 2012	\$ -
Current year set aside requirement	315,117
Current year qualifying expenditures	(1,520,872)
Current year offset	(324,227)
Totals	<u>(1,529,982)</u>
Balance carried forward to fiscal year 2013	<u>-</u>
Set aside reserve balance June 30, 2013	<u>\$ -</u>

Expenditures and offset credits for capital maintenance during the year were \$ 1,845,099. The capital maintenance expenditures exceeded statutory requirement for fiscal year 2013. However, the excess amount cannot be used to offset future years' set-aside requirements.

**NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS**

**A. NORTH COAST COUNCIL OHIO**

The North Coast Council Ohio ("NCCO") is a jointly governed organization comprised of 31 school districts. NCCO was formed for the purpose of applying modern technology (with the aid of computers and other electronic equipment) to administrative and instructional functions for member districts. Each of the governments of these districts supports NCCO based upon a per pupil charge, dependent upon the software package utilized. The NCCO assembly consists of a superintendent or designated representative from each participating district, and a representative from the fiscal agent. NCCO is governed by a board of directors chosen from the general membership of the NCCO assembly. The board of directors consists of a representative from the fiscal agent, the chairman of each operating committee, and at least one assembly member from each county from which participating districts are located. Fiscal information for NCCO is available from the Treasurer of the Educational Service Center of Cuyahoga County (fiscal agent), located at 5700 West Canal, Valley View, Ohio 44125. During the year ended June 30, 2013, the District paid \$ 386,212 to NCCO for basic service charges.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS (continued)

B. LAKE ERIE REGIONAL COUNCIL OF GOVERNMENTS (LERC)

The Lake Erie Regional Council of Governments (LERC) is a jointly governed organization among 17 school districts. The jointly governed organization was formed for the purpose of promoting cooperative agreements and activities among its members in dealing with problems of mutual concern such as a media center, gas consumption, food service and insurance. Each member provided operating resources to LERC on a per-pupil or actual usage charge, except for insurance.

The LERC assembly consists of a superintendent or designated representative from each participating district and the fiscal agent. A board of directors chosen from the general membership governs LERC. The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by contacting the Treasurer at the Educational Service Center of Lorain County located at 1885 Lake Avenue, Elyria, Ohio 44035. During the year ended June 30, 2013, the District paid \$ 33,256 to LERC for basic service charges.

C. LORAIN COUNTY JOINT VOCATIONAL SCHOOL DISTRICT

The Lorain County Joint Vocational School District is a jointly governed organization. The jointly governed organization was formed for the purpose of providing vocational and special education needs of the students. The Lorain County Joint Vocational School Board is comprised of representatives from each participating school district and is responsible for approving its own budgets, appointing personnel, and accounting and financing related activities.

The degree of control exercised by any participating district is limited to its representation on the board. Financial information can be obtained by contacting the Treasurer at the Lorain County Joint Vocational School District located at 15181 State Route 58, Oberlin, Ohio 44074.

D. OHIO SCHOOLS COUNCIL

The Ohio Schools' Council Association (Council) is a jointly governed organization among 126 school districts. The jointly governed organization was created by school districts for the purpose of saving money through volume purchases. Each district supports the Council by paying an annual participation fee. Each school district member's superintendent serves as a representative of the Assembly. The Assembly elects five of the Council's Board members and the remaining four are representatives of the Greater Cleveland School Superintendents' Associations. The Council operates under a nine-member Board of Directors (the Board). The Board is the policy making authority of the Council. The Board meets monthly September to June. The Board appoints an Executive Director who is responsible for receiving and disbursing funds, investing available funds, preparing financial reports for the Board and Assembly and carrying out such other responsibilities as designated by the Board. In fiscal year 2013, the District paid \$ 64,089 to the Council. Financial information can be obtained by contacting David Cottrell, the Executive Director of the Ohio Schools' Council at 6133 Rockside Road, Suite 10, Independence, Ohio 44131.

SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS (continued)

D. OHIO SCHOOLS COUNCIL (continued)

The District participates in the natural gas purchase program. This program allows the District to purchase natural gas at reduced rates. Energy USA served as the natural gas supplier and program manager from October 1, 2008 to September 30, 2010. Compass Energy has been selected as the new supplier and program manager for the period from October 1, 2010 through March 31, 2013. There are currently 143 participants in the program including the Sheffield-Sheffield Lake City School District. The participants make monthly payments based on estimated usage. Each September, these estimated payments are compared to their actual usage for the year (July to June). Districts that paid more in estimated billings than their actual billings are issued credits on future billings beginning in September until the credits are exhausted and districts that did not pay enough on estimated billings are invoiced for the difference on the September monthly estimated billing.

NOTE 20 - INTERFUND TRANSFERS

During the year ended June 30, 2013, interfund transfers were made from the General Fund to the Food Service Fund and the Capital Projects Fund for operating activities of those funds.

	Transfer from:
	General Fund
Transfer to:	
Nonmajor Governmental Funds	\$ 1,100,000

Transfers between governmental funds are eliminated for reporting on the government-wide financial statements.

NOTE 21 - CONTINGENCIES

The District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and subject to audit by the grantor agencies.

Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2013.

NOTE 22 - CONTRACTUAL COMMITMENTS

At June 30, 2013 the District had contractual commitments for building construction and renovation projects as follows:

	Contract Amount	Expended	Remaining Liability
HS new construction	\$27,661,305	\$ 2,341,036	\$25,320,269

## **SUPPLEMENTARY DATA**

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR/ SUB GRANTOR/ PROGRAM TITLE	CFDA NUMBER	(A) PASS-THROUGH GRANT NUMBER	(B) CASH FEDERAL RECEIPTS	(B) CASH FEDERAL DISBURSEMENTS
<b>U.S. DEPARTMENT OF AGRICULTURE PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
(D) (E) <b>Child Nutrition Cluster:</b> School Breakfast Program	10.553	2013	\$ 88,786	\$ 88,786
(D) (E) National School Lunch Program	10.555	2013	310,967	310,967
(C) (D) National School Lunch Program - Food Donation	10.555	2013	1,625	1,625
<b>Total National School Lunch Program</b>			<u>312,592</u>	<u>312,592</u>
<b>Total Child Nutrition Cluster</b>			<u>401,378</u>	<u>401,378</u>
State Administrative Expenses for Child Nutrition	10.560	2013	8,000	-
<b>Total U.S. Department of Agriculture</b>			<u>409,378</u>	<u>401,378</u>
<b>U.S. DEPARTMENT OF EDUCATION PASSED THROUGH THE OHIO DEPARTMENT OF EDUCATION</b>				
Title I Grants to Local Educational Agencies	84.010	2012	65,142	65,360
Title I Grants to Local Educational Agencies	84.010	2013	229,564	203,331
<b>Total Title I Grants to Local Educational Agencies</b>			<u>294,706</u>	<u>268,691</u>
<b>Special Education Grant Cluster:</b>				
(F)(G) Special Education_ Grants to States	84.027	2012	14,888	3,808
(F)(G) Special Education_ Grants to States	84.027	2013	351,751	350,347
<b>Total Special Education_ Grants to States</b>			<u>366,639</u>	<u>354,155</u>
(F) Special Education_ Preschool Grants	84.173	2012	1,251	5,107
(F) Special Education_ Preschool Grants	84.173	2013	5,600	7,196
<b>Total Special Education_ Preschool Grants</b>			<u>6,851</u>	<u>12,303</u>
<b>Total Special Education Grant Cluster</b>			<u>373,490</u>	<u>366,458</u>
Educational Technology State Grants	84.318	2012	1,749	1,749
Improving Teacher Quality State Grants	84.367	2012	8,554	8,397
Improving Teacher Quality State Grants	84.367	2013	51,450	47,985
<b>Total Improving Teacher Quality State Grants</b>			<u>60,004</u>	<u>56,382</u>
ARRA - Race to the Top, Recovery Act - Ohio Residence Program	84.395A	2013	700	303
Education Jobs Fund	84.410	2012	13,004	-
<b>Total U.S. Department of Education</b>			<u>743,653</u>	<u>693,583</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 1,153,031</u>	<u>\$ 1,094,961</u>

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS**

- (A) OAKS did not assign pass-through numbers for fiscal year 2013.
- (B) This schedule was prepared on the cash basis of accounting.
- (C) The Food Donation Program is a non-cash, in kind, federal grant. Commodities are reported at the entitlement value.
- (D) Included as part of the "Child Nutrition Cluster" in determining major programs.
- (E) Commingled with state and local revenue from sales of breakfast and lunches; assumed expenditures were made on a first-in, first-out basis.
- (F) Included as part of the "Special Education Grant Cluster" in determining major programs.
- (G) The District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30th and spent by September 30th). However, with Ohio Department of Education ("ODE")'s approval, a District can transfer unspent Federal assistance to the succeeding year, thus allowing the District a total of 27 months to spend the assistance. Schools can document this by using special cost centers for each year's activity, and transferring the amounts ODE approves between the cost centers. During fiscal year 2013, the ODE authorized the following transfers:

Program Title	CFDA	Grant Year	Transfers Out	Transfers In
Special Education_ Grants to States	84.027	2012	\$ 9,344	
Special Education_ Grants to States	84.027	2013		\$ 9,344



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**Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Required By *Government Auditing Standards***

Sheffield-Sheffield Lake City School District  
Lorain County  
1824 Harris Road  
Sheffield, Ohio 44054

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sheffield-Sheffield Lake City School District, Lorain County, Ohio, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Sheffield-Sheffield Lake City School District's basic financial statements and have issued our report thereon dated December 23, 2013.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Sheffield-Sheffield Lake City School District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Sheffield-Sheffield Lake City School District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Sheffield-Sheffield Lake City School District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Board of Education  
Sheffield-Sheffield Lake City School District

***Compliance and Other Matters***

As part of reasonably assuring whether the Sheffield-Sheffield Lake City School District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We noted certain matters not requiring inclusion in this report, that we reported to the Sheffield-Sheffield Lake City School District's management in a separate letter dated December 23, 2013.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Sheffield-Sheffield Lake City School District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Sheffield-Sheffield Lake City School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Julian & Grube, Inc.  
December 23, 2013



## **Julian & Grube, Inc.**

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### **Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required By OMB Circular A-133**

Sheffield-Sheffield Lake City School District  
Lorain County  
1824 Harris Road  
Sheffield, Ohio 44054

To the Board of Education:

#### ***Report on Compliance for Each Major Federal Program***

We have audited the Sheffield-Sheffield Lake City School District's compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the Sheffield-Sheffield Lake City School District's major federal programs for the fiscal year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the Sheffield-Sheffield Lake City School District's major federal programs.

#### ***Management's Responsibility***

The Sheffield-Sheffield Lake City School District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to opine on the Sheffield-Sheffield Lake City School District's compliance for each of the Sheffield-Sheffield Lake City School District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the Sheffield-Sheffield Lake City School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the Sheffield-Sheffield Lake City School District's major programs. However, our audit does not provide a legal determination of the Sheffield-Sheffield Lake City School District's compliance.

#### ***Opinion on the Major Federal Programs***

In our opinion, the Sheffield-Sheffield Lake City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the fiscal year ended June 30, 2013.



Board of Education  
Sheffield-Sheffield Lake City School District

***Report on Internal Control Over Compliance***

The Sheffield-Sheffield Lake City School District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the Sheffield-Sheffield Lake City School District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the Sheffield-Sheffield Lake City School District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Julian & Grube, Inc.  
December 23, 2013

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT  
LORAIN COUNTY, OHIO**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A-133 § .505  
JUNE 30, 2013**

<b>1. SUMMARY OF AUDITOR'S RESULTS</b>		
<i>(d)(1)(i)</i>	<i>Type of Financial Statement Opinion</i>	Unmodified
<i>(d)(1)(ii)</i>	<i>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(ii)</i>	<i>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iii)</i>	<i>Was there any reported material noncompliance at the financial statement level (GAGAS)?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any material internal control weaknesses reported for major federal programs?</i>	No
<i>(d)(1)(iv)</i>	<i>Were there any significant deficiencies in internal control reported for major federal programs?</i>	No
<i>(d)(1)(v)</i>	<i>Type of Major Program's Compliance Opinion</i>	Unmodified
<i>(d)(1)(vi)</i>	<i>Are there any reportable findings under §.510(a)?</i>	No
<i>(d)(1)(vii)</i>	<i>Major Programs (listed):</i>	Title I Grants to Local Educational Agencies (CFDA #84.010); Special Education Grant Cluster: Special Education_ Grants to States (CFDA #84.027) and Special Education_Preschool Grants (CFDA #84.173)
<i>(d)(1)(viii)</i>	<i>Dollar Threshold: Type A/B Programs</i>	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	<i>Low Risk Auditee?</i>	No

**2. FINDINGS RELATED TO THE BASIC FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None



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**Independent Accountants' Report on Applying Agreed-Upon Procedure**

Sheffield-Sheffield Lake City School District  
Lorain County  
1824 Harris Road  
Sheffield, Ohio 44054

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board solely to assist the Board in evaluating whether the Sheffield-Sheffield Lake City School District has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy at its meeting on April 22, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

*Julian & Grube, Inc.*

Julian & Grube, Inc.  
December 23, 2013

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# Dave Yost • Auditor of State

**SHEFFIELD-SHEFFIELD LAKE CITY SCHOOL DISTRICT**

**LORAIN COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 25, 2014**